



THE CITY OF SAN DIEGO

**SMALL BUSINESS ADVISORY BOARD
MEETING MINUTES**

March 23, 2005

Comerica Bank Building
600 B Street, Eighth Floor Large Conference Room
San Diego, CA 92101

BOARD MEMBERS PRESENT	BOARD MEMBERS ABSENT
Auday Arabo George Chandler Jesse Navarro Judy Preston Richard Sims Spencer Skeen Chi Tran	Faith Bautista Kurt Chilcott Scott Cummins Warren Simon

CITY STAFF
Steven Bal, Office of Small Business Kelly Broughton, Development Services Department Meredith Dibden Brown, Office of Small Business Ron Halbritter, Development Services Department Lynette Jones, Office of Small Business Janet Wood, Office of Small Business

OTHERS PRESENT
Tarik Alahmad, Mission Hills Business Improvement District Rick Hernandez, San Diego Gas and Electric Scott Kessler, Business Improvement District Council

Introduction

- Mr. George Chandler called the meeting to order at 8:17 a.m. A quorum was not present until 8:22 a.m.

Approval of Minutes

- The minutes of January 26, 2005 and February 23, 2005 were voted upon and unanimously approved.

Public Comment

- None provided.

Business Improvement District (BID) Council Report: Scott Kessler, BID Council

- Mr. Kessler reported for Mr. Warren Simon, who was unable to attend, due to a scheduling conflict.
- A press conference will be held on April 5 with Deputy Mayor Michael Zucchet of District Two, Councilmember Toni Atkins of District 3, and the BID Council to publicize the release of an Economic Impact Study and the formation of a new loan program to aid property owners with unreinforced masonry retrofits. Property owners need to be in compliance by January 2006. A large majority of property owners have not taken any action, due to the cost of retrofitting.
- Impediments to having the seismic retrofits done are the lack of experienced contractors and engineers. Differences in estimates are anywhere from two to four times higher for inexperienced contractors as compared to experienced contractors.
- The BID Council became involved because many of the properties are located within BIDs. About half of the properties are located downtown and the other properties are spread throughout the other BIDs in the City. They want to save the buildings, since they are considered historic assets. In Los Angeles and San Francisco, many of the masonry buildings have been razed in the past decade, because of the expense required to retrofit them.
- The BID Council and Clearinghouse Community Development Financial Institution have created a low cost financing option using new market tax credit allocation funds to be used specifically for masonry upgrades. They mailed out a package yesterday to the approximately 600 property owners remaining on the retrofit list.
- Mr. Chandler stated that SBA 504 loans may be used for owner occupied commercial real estate. Mr. Kessler responded that they have reviewed other financing options including SBA loans and City financing programs.
- The average retrofit cost is approximately \$30,000.
- The BID Council is also working on the awards for the Annual Small Business Awards Luncheon. BIDs have until April 8 to submit their applications to the BID Council.

Mentor-Protégé Program Status Update: Gunnar Schalin, Contracting Opportunities Center

- No report was provided. Please see the handout distributed at the meeting.

Economic Development and Tourism Support (ED&TS) Program Status Update: Luis Ojeda, Economic Development Division

- Mr. Ojeda reported that they received a total of 16 applications for FY 2006, noting that in FY 2005 they had received a total of 21 applications. He explained that there were several factors accounting for the decline in the applications received, noting that some programs never got off the ground and some didn't want to reapply, since they didn't receive funding last year.
- The panel review is scheduled for Friday, April 8 from 9:00 a.m. to 3:30 p.m. The panel consists of 5 representatives from the SBAB and 2 representatives from the tourism industry. The tourism industry usually has 4 representatives on the panel. The SBAB representatives on the panel are: Ms. Faith Bautista, Ms. Judy Preston, Mr. Ric Sims, Mr. Warren Simon, and Mr. Jesse Navarro.
- The appeals process meeting will be held in late April. Mr. Ojeda will come back to the SBAB in April to request their approval of the panel's recommendations. The recommendations will then be forwarded to the City Council for their approval during the budget process on special promotional programs.
- Last year, \$650,000 was allocated to ED&TS. Staff is anticipating a 10 percent reduction for FY 2006, which equates to \$65,000 less than last year's allocation.
- Mr. Sims expressed his concern on the lack of interest displayed by the hospitality industry in serving on the review panel, since they generate the Transient Occupancy Tax (TOT) revenue for the City. Mr. Ojeda conveyed Mr. Sims' proposal that for future application cycles, staff would first provide the hotel/motel industry with an opportunity to have four representatives on the review panel. This would include a deadline for the submission of names of interested individuals from the hotel industry. If they didn't obtain four names, staff would seek permission to solicit representatives from restaurants and other sectors of the hospitality industry to serve on the review panel.
- The maximum cap for applicants is \$60,000.
- Mr. Chandler thanked the SBAB members whom are serving on the ED&TS review panel.

Public Comment Issues Follow-Up from Community Outreach Meeting: Lynette Jones, Office of Small Business (OSB)

- Ms. Jones stated that this year's Community Outreach Meeting was very successful and expressed gratitude to the SBAB members for their attendance and participation. She noted that there were fewer representatives from the small business community than in previous years.
- Most of the public comments made at the Community Outreach Meeting were positive, noting particularly the service improvements made in DSD and also acknowledging Mr. Ron Halbritter and Mr. Kelly Broughton for their efforts and assistance at monthly community meetings.

- There was an inquiry from Mr. Kevin Swanson of Syntropic Systems Corporation on whether the entire City could be declared as a redevelopment area. Ms. Jones stated that Mr. Jeff Kavar, Division Director of the Economic Development Division addressed the issue at the Community Outreach Meeting, stating that specific criteria need to be met, including physical and economic blight. This would preclude the City as a whole from qualifying as a redevelopment project area.
- An inquiry by Mr. Jay Turner of the North Park Main Street Association involved a recommendation to change the name of the “Business Tax Certificate” to a “Business License.” He made the recommendation, since “Business Tax Certificate” is confusing and “Business License” is the term used by other municipalities. Ms. Jones stated that Ms. Meredith Dibden Brown addressed the inquiry at the Community Outreach Meeting, stating that the term “Business License” implies that there is a regulatory function occurring and assumes that staff is actually looking at the information submitted to the City by a business and making a determination that they are compliant with the rules and regulations that they are expected to follow. Robbin Kulek of the City Treasurer’s Office informed OSB that it is payment of a “Tax Certificate,” because it is proof the tax was paid. To change the term to a “Business License” would require a change in the Municipal Code. Ms. Jones stated that it may be confusing to some, but she has not received many complaints about it.
- Ms. Jones recommended adding some definitive language on the “Business Tax Certificate” Application and on the City’s website to clarify why it is not called a “Business License”. Several members endorsed the idea of having additional language on the Application and City website.
- Mr. Sims commented that if additional regulation were required with a “Business License”, then he prefers that it remain as a “Business Tax Certificate”.
- Mr. Chandler thanked OSB staff for their Community Outreach Meeting preparation efforts. He noted that DSD received many positive compliments at the meeting, noting that it is a sign of great progress.

Development Services Report: Kelly Broughton, Development Services Department
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- Mr. Broughton stated that they shared the positive comments made at the Community Outreach Meeting with DSD staff and they were very pleased to receive the positive feedback from the small business community.
- The City Council’s Budget Working Group Report was issued in February 2005. The recommendations focused upon the following key areas: 1.) Investing in the workforce (staff training, accountability mechanisms, and improvements in customer service); 2.) Improving communications and coordination (improve communication within DSD) 3.) Expanding the role of the Technical Advisory Committee (have them comment on development regulations and include TAC recommendations in City Manager Reports to the Mayor and Council and Committees); 4.) Completing initiatives already underway (prioritize current initiatives with Budget Working Group’s recommendations and put into a consolidated plan); 5.) Changing the Land Development Code (LDC) to simplify rules that DSD is charged with implementing (select regulatory relief items identified in the current Zero-Based Management Review report to be included in the LDC update work program and provide the necessary staffing for code revision); 6.) Work environment (remodeling office space and improving customer waiting areas); 7.) Improve communications with the public (using project managers to meet more frequently with community planning groups).

- Mr. Sims commented that there is a lot of rethinking on the LDC and Municipal Code and for the City to move forward, the entire process will need to be reviewed and could be changed significantly. The community planning groups are politically powerful and it is very important that small business owners participate at the community level by sitting on those groups. If they do not participate, they will be negatively impacted by the changes made to the LDC. Mr. Broughton remarked that he has heard the same position echoed by design professionals. He added that individuals have to lobby for positions on the boards, since they are elected by the community that they serve.
- Mr. Sims suggested that the SBAB address the issue of community planning group, specifically how to reform the selection of representatives to ensure business representation. Mr. Broughton remarked that other municipalities are required to have a specific composition, i.e., prescribing the number of representatives that may come from the business community, the residential community, the developer community, etc.
- Mr. Kessler of the BID Council commented that in some of the community planning areas where BID's are located, they do have representation on the planning committees. In the City of San Diego, there is no uniform board composition, so it is left up to the individual communities to decide on their board's composition. Mr. Broughton stated that the Planning Department is looking at revising the rules for community planning groups and if it moves forward, it could be provide the SBAB with an opportunity to participate in the process.
- Mr. Chandler requested OSB staff to place the issue on a future meeting agenda and invite the appropriate City staff to the meeting to address the issue. Mr. Broughton indicated that he will follow up with the Planning Department to learn the status of the proposed revisions.
- Ms. Preston commented that Mr. Broughton and Mr. Halbritter have been a tremendous asset to the SBAB and asked if the SBAB could send a letter of appreciation to their supervisors. Mr. Chandler concurred and suggested that Ms. Preston draft the letter and he would sign it.
- Ms. Preston noted that the accounting system is approximately 6 to 8 weeks behind the projects, adding that it should be on the top five of the Budget Working Group's list.
- Ms. Preston expressed concern that a great deal of DSD's staff time is spent at Council and Committee meetings, because DSD is understaffed. Mr. Broughton commented that the expectation is that staff needs to be present at the meetings to answer any questions from the Mayor and Council, even for items on consent. Mr. Broughton added that the Planning Commission has reshuffled their agenda to have consent items first. He recognizes that the Mayor and Council have other priorities that they need to balance. There have been discussions on the issue in the management ranks, but the cost in terms of time spent by both staff and their customers has not yet been addressed. Mr. Sims inquired if an actual cost analysis has been done on the resources spent at meetings in a 90-day period. Mr. Broughton responded that they could develop a cost analysis for DSD on staff time expended at the meetings and they could also get data from their customers for the same time period. Mr. Sims stated that all City departments should consider conducting an actual cost analysis of time expended at Council and Committee meetings.
- Mr. Halbritter announced that there is a customer self-help area located on the third floor of the Development Services Center building. The area contains a computer, copier, fax machine, and a telephone. The customer self-help area has been there for several years.

Office of Small Business Report: Lynette Jones, Office of Small Business

- Ms. Jones reported that they are still conducting their quarterly seminar “The ABC’s to Starting, Growing, and Financing Your Small Business.” The next seminar is scheduled for Thursday, April 28 from 3:30 p.m. to 6:30 p.m. at the Mission Valley Branch Library. Please contact Ms. Jones to RSVP for the event at (619) 533-4256.
- They are continuing their “Small Business A-Team” meetings, which is a public/private collaborative effort through the Council offices. Several of the Council Districts that did not initiate their letters to small businesses last year are doing so at this time. The Program has been very well received by the small business community, noting that they have had two to three meetings this month.

New Business

- Mr. Auday Arabo announced that Lt. Robb Hurt has retired from the San Diego Police Department (SDPD) and Lt. Lawrence McKinney has replaced him in the Vice Unit.
- The tobacco ordinance is on the Public Safety and Neighborhood Services (PS&NS) Council Committee docket for April 13 at 2:00 p.m. Mr. Arabo stated that business representatives and health coalition representatives had agreed to collaboratively seek the Master Settlement Agreement (MSA) funds to fund the SDPD’s enforcement, instead of having a flat fee imposed upon retailers. The health coalition representatives have since turned away from the agreement and they are now pursuing the flat fee on retailers. He requested that SBAB members appear at the PS&NS meeting, adding that the business sector will have representatives present. Mr. Kessler stated that they will inform the BIDs on the issue and the PS&NS meeting date at their BID Council meeting, so they will also have representatives at the meeting.
- The Living Wage Ordinance is on the Council docket on April 12. Ms. Jones noted that the SBAB had addressed the issue in April 2004. Mr. Chandler requested that the item be placed again on the SBAB agenda, since the issue has resurfaced. Since the presentation in April, there have been modifications to the proposed LWO. Some of the modifications include exempting businesses with 12 or fewer employees and those organizations organized as a 501c3 (nonprofit organization), whose chief executive officer or highest paid employee earns a salary which when calculated on an hourly basis is less than eight times the lowest wage paid by the corporation shall be exempted. Also, the City would be exempted from the LWO. Ms. Tran stated that the SBAB would like to see research on how the proposed LWO will affect some of the contracts that nonprofits have with the City. **Ms. Tran motioned for the SBAB to send a letter to the Mayor and Council requesting a delay in action on the proposed LWO, until after input has been received from impacted organizations and needed improvements or alternatives have been identified. The motion was voted upon and unanimously approved. OSB staff will draft a letter for Mr. Chandler’s review and signature.**
- Mr. Navarro inquired if the SBAB has ever done a study on what similar boards in other large cities are doing. Mr. Chandler replied that the SBAB is unique and that he has tried to get other SBA District Directors to work on developing similar boards in their cities. It was noted that San Francisco now has a small business advisory board (Small Business Commission).
- Mr. Sims suggested that the SBAB have a formal planning strategy session to identify issues impacting the small business community in both the long- and short-term. Members would bring their ideas to the planning session with support from OSB, Community and Economic

Development, and other key City staff. A document would also be created, which provides structure, objectives, and goals that could be used as a reference source. The reference would enable the SBAB to measure their progress as a Board. Mr. Navarro echoed that the SBAB needs to be more proactive in their approach to small business issues.

- Mr. Sims expressed desire to increase communications with the small and emerging hi-tech companies, adding that if they had the hi-tech sector at their table, then the City would have significantly more influence with the City. Ms. Jones responded that at one time, Ms. Tyler Orion of the Regional Technology Alliance served on the SBAB. Ms. Dibden Brown stated that Ms. Orion is now serving on the Science and Technology Commission. A survey was conducted of hi-tech businesses to determine what their unmet needs were and to find out how the City could assist them. The responses received were that they wanted the City to not be an impediment to their business. Mr. Sims stated that the hi-tech businesses need to understand that if they want assistance, they need to participate in the process.
- Mr. Kessler remarked that last year the City Manager had recommended significant cuts to OSB and added that the SBAB may want to be on their guard for the upcoming fiscal year. He suggested that the SBAB consider reviewing the City's Economic Prosperity Element, a component of the General Plan Update. Mr. Chandler requested that OSB staff invite Coleen Clementson of the Planning Department to the next SBAB meeting to speak on the Economic Prosperity Element. SBAB members are encouraged to submit their ideas prior to the next meeting. Mr. Chandler requested that a large amount of time be allocated for the agenda topic, adding that the SBAB could then go into a retreat or have one full meeting for it. Mr. Sims suggested that OSB staff invite individuals from small and emerging science and technology companies to attend the meeting.
- Ms. Preston spoke of her concern on the explosion of condo conversion project and the large impact upon DSD staff. Mr. Broughton stated that there are approximately 60 to 70 projects, adding that they are seeing a large impact through their work. A joint meeting was recently held between the Land Use and Housing (LU&H) Council Committee and the Planning Commission which covered some of the issues they've heard and some of the restrictions that could be imposed, including a limitation on the number of condo conversions that are allowed in a period of time. Ms. Preston stated that the SBAB should have a representative on the TAC. Mr. Broughton stated that any changes that come forward will go through the TAC, which the SBAB already has representation on. They do have a code monitoring team, which is a public input group to code changes and includes representatives from different segments of the community, including small business. He will bring the composition of the code monitoring team to the next SBAB meeting. Mr. Spencer Skeen asked how affordable housing or the condo conversion process would tie in to what the SBAB is charged to do. Mr. Broughton responded that it represents a significant part of DSD's workload and takes away from their ability to assist others. Mr. Sims and several other members commented that items should be directly relevant to the purview of the SBAB. Mr. Halbritter remarked that a number of the condo conversions are being initiated by small business realtors and individuals that are able to invest anywhere from \$50,000 to \$100,000 to make the transactions. The people who are making the upgrades are also small businesses. For further information on condo conversions, please see the City Manager's Report (05-060 Revised) to LU&H and the Planning Commission.

Meeting Adjournment

- The meeting was adjourned at 9:50 a.m.